HUMAN EVENTS

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The Coming Reuther Depression: The man whose name is virtually synonymous with the "wage-price spiral" today looms as the potential agent in turning the present worrisome business recession into something resembling the Great Depression of the 1930's.

An easy Reuther victory over the timid auto magnates in the coming wage negotiations is foreseen, and discounted, by many Washington observers, who ponder the dangerous consequences of the wage boost they think the United Auto Workers union will win. Such a victory, they believe, will give another spin to the wage-price spiral; but this time Reuther's expected triumph will produce — not inflation as in the past — but a more serious stage in the present recession, and perhaps a real depression.

Reuther's action, in short, will not put "millions of dollars" of purchasing power into the workers' pockets, as he promises. Actually it will price countless consumers out of the market, with resultant depressing effects on the business structure.

The little Napoleon of the CIO — a pious believer in the moth-eaten and discredited theories of Professor John Maynard Keynes — impresses many in Washington as being the biggest menace to a sane and short-lived readjustment of the economy to the effects of the present recession. For Reuther not only applies Keynesian theories to his wage-hour differences with employers, but also to Government spending. As a confirmed socialist, he plumps for deficit spending.

One big undeniable fact stares any reasoning observer in the face today: during the last six months of 1957, as Treasury figures show, the Government was operating on a deficit basis; according to these statistics, the Government was spending more than it was receiving in taxes. Yet, that very same period was marked by a sharp decline in business. And now — it is pointed out — the Administration apparently resigns itself to deficit spending and hopes for a revival of business through such means!

This course — say conservative economists who know well the sad record of unemployment and depression in the 'Thirties — would mean converting a temporary readjustment, a recession, into a bread-line depression. Only prompt lowering of taxes — individual and corporate — can stem the fatal tide. For, as days go by, observers in the Capital fear, a deflationary psychology — feeding on reports of lowered earnings and passed ("deferred," is the euphemism) dividends — could create its own spiral of depression.

Republican Renaissance: Bright hopes for reversing the drive of "liberal" Democrats to win this year's elections, and for restoring the Taft wing to power within the GOP, appeared at party meetings held in Washington during the past ten days.

The meeting of the Republican National Committee drew an unusually large attendance from all corners of the Nation. The committee session was short, but within its limited time the committee members manifested interests which tint the party picture with more attractive hues than have been reported in the press.

Of great significance was the fact that, within the closed-door session, the committee members showed strong support for Secretary of Agriculture Ezra Benson in his efforts to cut down on Government crop support spending (see "Farm Front" item, below).

Also, the one Cabinet member appearing at the meeting who was subjected to critical questioning (described by some present as "very rough") was Secretary of Labor Mitchell. Mitchell, recently a "liberal" Democrat, is trying to block right-to-work legislation on Capitol Hill.

The visiting members of the National Committee also took a keen interest in the signs and sounds emanating from a meeting of Young Republicans, which was held concurrently with the National Committee session. They saw in the preferences and prejudices revealed in the "Youth Section" a pattern of Taft Republicanism that points to a renaissance of the GOP. According to some National Committeemen, soundings among their juniors elicited a strong distaste for "coattail" riding, a liking for labor reform in the nature of right-to-work laws, vigorous opposition to Federal aid to education and disdain generally for "middle-of-the-road" policies.

Among the senior Republicans there was much favorable comment on the fact that Senator Knowland (running on a right-to-work platform in California) received a big ovation from the "juniors," and that Senator Barry Goldwater of Arizona won extraordinary applause for what was described as a "militant right-wing speech."

Members of the GOP national party council, at the close of the meeting, pondered the fact that the Young Republicans (at the outset of the Ike Administration dominated by "liberals") now show themselves strongly conservative. Not the least of those impressed by this "revolt of the young conservatives" was Vice President Nixon, who — according to some committeemen — fol-

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lowed closely the progress of the Young Republican meeting.

Such reports from the senior GOP organization, concerning trends among Young Republicans, confirm the results of last year's Young GOP convention, which dealt a series of jolting blows to the "liberal" wing of the party. In voting their 1957-58 platform, the Young Republicans blasted Federal aid to education, "Status of Forces" agreements, "all military assistance to Communist nations" and UN membership for Red China. The delegates also went on record in favor of a national right-to-work law (see HUMAN EVENTS *for June 29, 1957).*

Rocket to the Moon: The successful launching of the Army's earth satellite has had an excellent effect on American morale, so badly damaged by the success of Sputniks I and II. However, the failure of the Navy to put up Vanguard II constitutes a warning that the US still has far to go before our security is adequately insured.

As a matter of fact, the Army satellite and our entrance, through its success, into the race for outer space do not impress many scientific experts so much as they do the mass of the American people. The experts — in no spirit of carping — say they will wait a bit for subsequent performances before exultation. They point out that the Army satellite weighs only 30 pounds. Sputnik II is said to weigh about half-a-ton.

What disturbed American leaders — they recall — at the appearance of the Sputniks last fall was not so much Russia's lead in the race for outer space, as it was Russia's apparent lead in the missiles race. If the Reds succeed in perfecting and producing intercontinental ballistic missiles (ICBM's) before we do . . .

The fear that they will is engendered by the obviously strong propulsive power the Reds have succeeded in developing, as demonstrated by the launching of a heavy satellite.

In short, missile experts on the sidelines prefer to wait until we have demonstrated our developing strength by propelling upwards into space a 1500-pound satellite, before they can rest easy in assessing the progress of our drive for production of missiles. Then, it is felt, we will have proved that we have the propulsive power to send our own ICBM across the seas. "One sputnik does not make a summer."

Moscow vs. Dulles: Exclamation point of the week is placed behind the fact — brought out baldly in Soviet Premier Bulganin's recent statement — *that Moscow will not talk to the US unless we get rid of Secretary of State Dulles.* United Press reported, February 3, that "Bulganin made it clear in rejecting Western suggestions for a Foreign Minister's Conference that one of the principal objections is the Soviet mistrust of Secretary Dulles and British Foreign Secretary Selwyn Lloyd." (Lloyd is known to agree with Dulles' opposition to a Summit conference between Khrushchev and the ailing Eisenhower.)

On February 6, Senator Styles Bridges (R.-N.H.) — joined by other Senators (including even "liberal" Democratic whip Mike Mansfield of Montana) — bitterly denounced Bulganin's impudence, and praised Dulles for his opposition to holding a Summit conference without preliminary parleys by Foreign Ministers. Never before — it is remarked — has a foreign power suggested that we change our Secretary of State as a prerequisite to that power's agreeing to meet with us. Legislators observe that this is the ultimate development in the Soviet propaganda campaign, which began last October, proclaiming that "Dulles must go."

That campaign (first noted in HUMAN EVENTS on October 26, 1957) started on the Soviet radio and was immediately taken up and broadcast in the US by leaders of the "liberal" wing of the Democratic party. Intriguers among the Modern Republicans caught the ball, tried to push Dulles out and install Stassen as the arbiter of our foreign policy. Dulles, aided by Nixon and GOP Senators, fought back — with the result that Stassen is now virtually packing his bags. Now, the Soviet Union, in desperation over failure of its propaganda blitz, is again trying to whip up "Dulles must go" sentiment, through Bulganin's remark and also by a renewed radio campaign against the Secretary, beamed at Western Europe in the past week.

It is noted that Senator Hubert Humphrey, "liberal" Democrat of Minnesota, has been in the forefront of the anti-Dulles campaign and in the past week has criticized the Dulles strategy for taking care of Moscow diplomatic maneuverings. Additionally, Oregon Democrat Wayne Morse ("vain Morse") launched a two-hour tirade against Dulles. (It is noted that conservative Democrats like Russell and Byrd do not chime in with Humphrey.)

Meanwhile, feeling in the Senate grows for a "sense" resolution, opposing a Summit conference between Ike and Khrushchev (Senators recall what Stalin did to the ailing Roosevelt at Yalta). Senate Republican leaders say that such a "sense of the Senate" measure could get plenty of votes for passage, if the country indicated a demand for it.

HUMAN EVENTS staffers asked Elizabeth Churchill Brown, author of "Woman's Place is Under the Dome" (January 13, 1958), what women's groups can do to aid in securing such a resolution. Her answer: "Women all over the country should flood their Senators with demands that they put through a strong resolution to keep the delicate President of the United States from rushing into another Yalta — in short, to place the Senate on record against a Summit conference." Such a move, Mrs. Brown concluded, is the Number One issue which should occupy the current efforts of women's groups.

Foundations: Precipitating a stir in the Capital last week was the disclosure that a report prepared by the staff of the House Committee on Un-American Activities (which will apparently be signed by a majority of the Committee's members) recommends that the left-wing Fund for the Republic be stripped of its tax-exempt status. The report reveals that Internal Revenue officials urged a year ago that the Fund's tax exemption be revoked, and also discloses the fact that the Fund has been engaged in a number of blatant propaganda ac-

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tivities — which, under the internal revenue code, disqualify it for tax exemption. (Loss of the exemption — under the terms of the Fund's grant from the Ford Foundation — would mean that the Fund would have to return what's left of its $15 million grant to the parent organization.)

Meanwhile, sources within the Executive reveal, exclusively to HUMAN EVENTS, that a move is afoot to amend the internal revenue code so as to legitimize propaganda activities such as the Fund's. Key language in the proposed change — which emanates from within the Treasury Department — reads as follows: "Organizations embraced within this section include those which are operated primarily for the purpose of bringing about social changes or for purposes relating to the private rights of individuals and to human relationships generally, and which cannot meet the requirements of § 501(c)(3).

"The fact that such an organization in carrying out its primary purpose or purposes presents opinion on controversial questions and issues with the intention of molding public opinion or creating public sentiment to an acceptance of its views, or advocates social changes which may require legislation to achieve, will not preclude exemption under section 501 (a)."

Comment those apprised of this suggested change: Robert Hutchins himself couldn't have drafted a proposal more suited to the needs of the beleaguered Fund.

Rockefeller: Political observers here and in New York state note that Nelson Rockefeller, multimillionaire relic of the New and Fair Deals, is running hard for New York's Republican gubernatorial nomination. Rockefeller (who is strongly opposed by the conservative wing of the Empire State GOP) is receiving a full-scale build-up on all fronts. The analysts note these signs:

● The appearance of three polls, allegedly showing Rockefeller to be the front-runner for the nomination. These polls had no connection whatsoever with the New York state GOP organization, and there seems to be great doubt as to exactly who conducted them. Although Rockefeller supposedly showed popularity with Democrats and so-called independents, he fared badly with rank-and-file Republicans, who voiced their approval of former Republican National Chairman Leonard Hall. (Still another survey taken last month showed that if Rockefeller were to oppose Averell Harriman for the Governorship, Harriman would be re-elected easily.)

● The much-ballyhooed Rockefeller Report (see HUMAN EVENTS for January 6 and January 13, 1958) happened to appear precisely as the first big drumbeats of the Rockefeller boom began to sound. Was this, it is asked, merely a coincidence? (On the very day that the three New York state polls were released to the newspapers, page one of *The New York Times* carried a two-column picture of Rockefeller, appearing on TV to explain his Report to the public.)

● Finally, emphasis is placed on the boost Rockefeller received from Vice President Nixon, who singled him out as a candidate who would make a "far better Governor" than Averell Harriman.

Comment from one influential New Yorker, on what begins to look like a "millionaires' sweepstakes": "*It would save the taxpayers of this state a lot of trouble and money if somebody would just get Rockefeller and Harriman together up in Albany next fall, and auction off the Governorship to the highest bidder.*"

Education Front: Signs increase of public hostility toward the Administration's current Federal aid to schools proposal:

In Austin, Texas, state commissioner of education J. W. Edgar last week declared that "it is the belief of the Legislature and the State Board of Education that state and local support, with local control, can provide an educational system to meet any present or future situation."

And in Indiana, teachers in Warren Township went on record — by a vote of 107 to 56 — in opposition to Federal aid to education. Morris A. Campbell, President of the Warren teachers' association, related the group's decision in a letter to *The Indianapolis Star*. He added: "Although the positions of the officers of the National Education Association and the Indiana state teachers' association in regard to Federal aid are well known, many teachers in the Warren Township Classroom Teachers' Association felt the official position of these organizations did not reflect the will of a majority of teachers in the state of Indiana . . .

"In view of the result of our referendum, I made the suggestion at an executive board meeting of the Indiana Classroom Teachers Association that a similar survey be made of all the teachers in Indiana. My proposal was dismissed summarily by the presiding officer with the off-hand remark that the teachers of Indiana were not going to allow themselves to be divided by such controversial issues!"

● Such continuing manifestations of grass-roots feeling, it is said, may account for the "strategic withdrawal" executed last week by Health, Education and Welfare chief Marion B. Folsom. Pleading the case of the Administration's new school program before a House subcommittee, Folsom went out of his way to oppose "massive" school aid, on the grounds that education "must remain primarily a local, state and private responsibility."

Tax Cut: President Eisenhower's hesitant suggestion last week of a possible tax cut is viewed as an indication of how strong Capital feeling is in favor of such a reduction. Other suggestions of a cut come from still less expected quarters: Senator Hubert Humphrey (D.-Minn.) declared last week that "this recession will not be licked without a tax reduction," and Modern Republican Representative Robert Kean of New Jersey announced that he has authored a "stand-by" tax bill that would cut taxes by $2.5 billion if the recession does not abate by May or June.

Washingtonians further note the sharp interrogation of Treasury Secretary Anderson, conducted recently by conservative Representative Richard Simpson

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(R.-Pa.), at a hearing of the House Ways and Means Committee. Simpson and Anderson agreed that there were "circumstances" in which the Treasury would want to ease the tax burden to encourage greater business activity. Then Simpson asked: *"Are we not more likely to have a reactivation of business by wise tax adjustment now? And why wait until we fail to have the reactivation? That is the question that disturbs me. It is suggested that it would cost more later on and that it would cost more to the people who will lose their jobs, and to the Treasury, by reason of loss of revenue, as a result of the lessened business activity. So, I repeat: why is it not advisable to do the adjusting now?"*

Labor Front: The blackout treatment continues to be imposed on Senator Knowland's bill (S. 3068) to guarantee democracy in labor unions and to restore their control to rank-and-file members. (See "Union Bossism" item in last week's HUMAN EVENTS.)

Newest example appears in the *AFL-CIO News*, weekly official organ of the merged union. Its current issue contains a lengthy article by its Capital correspondent, Willard Shelton, analyzing in some detail the various union-reform bills already introduced in Congress, including the Administration's slap-on-the-wrist measure and Senator Karl Mundt's "democracy-in-unions" bill.

But pointedly, there is in the entire article no mention of Knowland's bill, which is coming to be recognized as probably the most effective such plan yet proposed. Students of the union movement believe that the most probable explanation for the omission is that the bosses of the AFL-CIO do not want their membership to hear any more about the Knowland bill than can be helped. The more the rank-and-filers realize how effectively the bill would give back to them the control of their unions, the more vehement they probably will be in demanding that it be enacted.

Knowland's bill is broad and comprehensive in providing statutory guarantees of the right of secret ballot for members on vital union matters, and it has enforcement teeth stronger than any other measure yet proposed. It stays strictly in the field of guaranteeing internal union democracy (one exception: it provides for registration of health and welfare funds, as a move to prevent pilfering), and it contains none of the proposals of numerous management spokesmen for restricting union activity, such as curbing jurisdictional strikes and secondary boycotts.

Knowland, in private conversations, makes it clear to friends that his introduction of the bill is no *pro forma* gesture, but a step that he intends to pursue to the utmost and to make a major issue in his campaign for election as Governor of California — in conjunction with his earlier advocacy of a right-to-work law for the Golden State.

Farm Front: Washington politicos, who are used to a constant barrage of propaganda from powerful farm lobbies, heard a new tune played this week. According to a national poll taken by the leading farmers' magazine, *Farm Journal* (circulation 3.4 million), more than half of the Nation's farmers want the Government to "get clear out of farming." Critics of the present programs note that it is only a small but vocal minority (one-fourth of those engaged in agriculture) who cry out for increased handouts and other bureaucratic schemes.

ADA and FDR: Reporters attending the Tenth Annual Roosevelt Day Dinner, February 1, sponsored by the Washington chapter of the Americans for Democratic Action, found themselves witnessing a mystical ceremony that would put an ordinary seance to shame. Interrupting the evening's flow of live oratory, the lights in the Shoreham Hotel's banquet room were suddenly extinguished; at one end of the room, curtains parted to reveal a portrait of FDR, handsomely illuminated in the glare of a spotlight. In a great hush each of the 500 reverent ADAers struck a pose of meditation, and solemnly listened to the tape-recorded voice of Roosevelt — giving his third inaugural address.

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Article Section *Printed in Two Sections*

WHO ARE THE REAL "GIVEAWAY" BOYS?

Private Power Development *vs.* Socialized Electricity

By L. ROBERT DRIVER

THERE IS something morbidly fascinating in the persistence of the "giveaway" myth among the advocates of a socialized electric power industry for the United States. Every time a taxpaying, privately owned utility company applies for a license to build a power dam on an American stream, all the "liberal" politicians and column writers leap to their hobby-horses and gallop away to warn the country that the monopolists are coming. According to them, a "priceless natural resource which belongs to all the people" is about to be given away to a group of heartless profiteers. Almost invariably these ideological Paul Reveres are the identical people who are forever promoting the "giveaway" of billions of the taxpayers' money to enable Government agencies to build dams and power plants from which the "people" receive no revenue in taxes, and in the income from which they have no opportunity to participate as investors.

The "giveaway" myth is so easily exploded that it is difficult to believe that those who say they accept it really do. Nevertheless, Senator Wayne Morse of Oregon, in a speech attacking what he called "the Eisenhower program of giving away and devastating the water resources of America," accused the Administration of a "sell-out to the public utilities," because a private utility company had obtained the right to build the Hells Canyon Dam on the Snake River.

Senator Estes Kefauver of Tennessee and Senator Hubert Humphrey of Minnesota have joined in the effort to perpetuate the "giveaway" myth. In the same school of thought are newspaper column writers like Thomas L. Stokes, who described the Hells Canyon arrangement with the Idaho Power Company as the result of "behind the scenes machinations by the Administration . . . to hand over valuable natural resources to politically powerful public utility interests." Just when the public utility interests became "politically powerful" in the sense that the TVA-public power bloc is politically powerful is Stokes' secret.

Of course a waterfall or a river is a natural resource, but so is every element in which men live and move and have their being. Water is a natural resource, but as William Hard wrote in *Reader's Digest* for August, 1953, "it does not follow that the man-made tunnels and turbines and generators for making that water produce electric power should be owned and operated by the Government."

As far as "giving away" these resources is concerned, Hard, who was discussing the proposal of the Niagara Mohawk Company to enlarge its facilities at Niagara Falls, said: "The value of the water of the Niagara river . . . continues to reside with the state of New York." That "value" cannot be given away to a power company because the company will not be allowed to earn "one penny of return on any supposed 'value' of the Niagara river."

This is such a simple point that it is extraordinary that we see it mentioned so seldom in debates on the public power issue. As far as its ability to produce electric power is concerned, the "value" of a canyon or a waterfall is strictly scenic until somebody builds a dam or a power plant to make use of its latent energy. The question is: "Who should make the investment necessary to put this priceless natural resource to work?"

IF THE GOVERNMENT itself makes the investment, as it has done in TVA and other power projects, the taxpayers in all parts of the country pay for the development of "cheap" power for one favored area. The "investment," which in the case of TVA amounts to something like $2 billion, yields nothing to the "investors" (*i.e.,* the taxpayers), and nothing to the Government in taxes. In an unemotional discussion, this kind of deal would look like a pretty fair approximation of a "giveaway" — the taxpayers of the whole country giving away their money to furnish Senators Kefauver and Gore with a foolproof political issue.

Now suppose, as on the Snake River, a regulated private utility corporation obtains a license to build a dam and develop electric power from a "priceless natural resource." What has the corporation received? It has received the right to develop electric power and market it under Federal and state regu-

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lation. The profits of the corporation are limited by public authority to a "reasonable return" on the company's investment, and that investment cannot include a nickel of the alleged "value" of the site which is supposed to have been "given away" by a power-company-dominated Administration.

In its monthly review for September, 1956, the Guaranty Trust Company of New York disposed of the "giveaway" myth thus:

"What is actually 'given away' when a power site is developed by a private company or group? The site itself is of no use to anyone until large sums of money have been spent for dams, generating plant and equipment, and transmission lines. These expensive installations, and the continuing cost of operating them, must be paid for, whether the work is done by a privately owned company or by a Governmental agency. . . . There is a 'giveaway' only if the rates are too high or too low. If they are too high, the developer of the site, whether privately or governmentally owned, is enriched at the expense of the users of the power. If the rates are too low, the 'giveaway' is in the opposite direction." It might be added that the rates can be too high only if our regulatory bodies fall asleep on the job. They seldom do.

If our "giveaway" rabble rousers were talking about Governmental favors to nonregulated companies such as industrial corporations, they would have a case. To give one manufacturer of aluminum products, for example, a dam site which enabled him materially to reduce his production costs would represent a "giveaway" to the favored corporation. It would give him a competitive advantage over other manufacturers of the same products. In a way such a deal would resemble the public power giveaway of Governmental favors to the people and industries of certain selected areas at the expense of the people in other areas. The taxpayers of Massachusetts, for example, are asked to provide cheap power in, say, the Tennessee Valley, thus in effect subsidizing the effort to lure the textile industry, for example, away from Massachusetts to North Carolina. (In 1939, prior to World War II and the construction of atomic energy plants in the Tennessee Valley, the Aluminum Company of America consumed over one-third of the electric power produced by TVA.)

A SIMILAR planned confusion surrounds discussion of the Federal Government's policy of providing money to certain public utility companies for building atomic reactors. This is supposed to be a "giveaway." But, assuming that the use of atomic reactors reduced the cost of power production, there would still be no profit to the company operating the plant contributed by the Government. It could not add the cost of a Government-financed plant to its rate structure. If power production became cheaper, the saving would have to be passed on to the users of power. The Government cannot "give" anything to a publicly regulated power company which the company can put in its pocket and keep, because its profits are restricted to a "reasonable return on its investment"—not an unlimited return on "value" which investors did not put into the operation.

More in the nature of a giveaway is the provision of the Atomic Energy bill, authorizing the Federal Government to construct and operate atomic energy plants, the power from which would, under the "preference clause," be available first to municipally owned distribution systems. Thus would be repeated on a grander scale the attack on the investor-type electric power industry; no tax revenue, no income to investors — just more expense to the already frustrated taxpayer.

Incidentally, the "preference clause," which is a feature of most Federally developed power systems, has come to be an important ally of the public ownership bloc which is devoted to giving away the public's money to expensive and non-revenue producing projects. The preference clause provides that cooperatives and municipally owned distributing systems shall have first crack at electric power produced by Federal agencies. The clause was first inserted in various statutes many years ago when public power was a weak competitor. The intention was to avoid discrimination in favor of the private companies. Now, however, "preference" has become a weapon in the hands of the Government ownership bloc, potentially strong enough to stifle the future growth of the investor utility industry. In some areas the clause has been interpreted to mean that a long-term contract between a Federal power authority and a private distributing utility company must be set aside, whenever a community in the area decides to take on power distribution as a municipal responsibility. The urge to "join 'em if you can't lick 'em" becomes a growing factor in the Great Debate on socialized power.

"Under the preference clause," says the Guaranty Trust Company bulletin cited above, "the Federal Government has become not only a producer and seller, but an active promotor of 'public' as against 'private' power. As a result more than 80 per cent of the salable power from Federal projects is now sold to preference customers, and expert opinion holds that eventually all Federally produced power will go to governmental and quasi-governmental customers and power distributors unless the Federal Government undertakes further large-scale expansion of its production facilities."

The writer concludes that "it would be difficult to formulate a program representing more aggres-

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sive encroachment by the Federal Government in the business field" — or, one might add, a more effective means of transforming the amazingly efficient American electric power industry into Giveaway No. 1.

At a time when we are talking about raising the Federal debt limit to finance defense projects necessary for our survival as a nation, one would expect President Eisenhower's logical attitude toward the power issue to have unified acceptance. Last year, in a letter to Representative Jack Westland (R.-Wash.), the President wrote: "The Idaho Power Company development will not only quickly provide much-needed power at no Federal cost, but will also produce substantial benefits for taxpayers throughout the Nation in the form of Federal, state and local taxes which the company will pay during the period of its license." He added that the alternative of a publicly financed dam "would apparently commit the American taxpayer to expenditures approaching or perhaps exceeding six-tenths of a billion dollars at a time when the Federal Budget is already under severe pressure."

This economy argument did apparently appeal to the public power bloc, at least as one likely to be popular with the customers, for they have been putting on a slam-bang campaign against the action of the Government in permitting the Idaho Power Company to depreciate its plant over a period of five years instead of the conventional 20. This arrangement was denounced as a "giveaway" because it would reduce the company's tax obligation during the five years. The cry havoc boys, who pillory the Eisenhower Administration for "stealing" something, never admit that when the five years are up, the company's tax will be larger than it would have been had the 20-year depreciation arrangement been allowed to stand. The obvious purpose of the rapid depreciation is to enable the company to build a plant at all. The tax is merely deferred.

Criticism of rapid depreciation, on the ground that the Government will temporarily collect less in taxes, comes with poor grace from the group which wants the taxpayer to lay out all *the billions needed for the Government itself to build these plants.*

For those sincerely interested in what is being given away, Exhibit A is TVA itself. Over the years, the taxpayers have contributed to TVA in cash and transfers of property a total of $2,389,898,401, which represents an investment in the utility business considerably larger than the amounts lost by private investors in that industry after 1929. After certain repayments which Congress was able to extract from TVA, the net investment on the electric power side of TVA's business stands at $1,614,302,195.

ON THIS VAST investment by the American public no income has been received at any time; no local taxes are paid on its vast property holdings, although certain modest contributions have been made *in lieu* of taxes; no Federal corporation tax, such as private companies engaged in precisely the same kind of business must pay, is paid by TVA. Nor does TVA pay even the transportation tax on the enormous shipments of coal to its constantly increasing number of steam power plants, a tax which private companies must pay. Far from its original purpose of developing water power as an adjunct to flood control, TVA now operates 79 per cent of its capacity with steam plants.

Furthermore, under legislation proposed in Congress, TVA would be freed even of the modest repayments it now makes on the original investment. It is proposed to wipe out the whole thing, remove the area restrictions under which TVA's expansionist ambitions have been held down, and free TVA of congressional control over its right to issue bonds. Up to now, however, no "liberal" critic of private utility companies has undertaken to describe all this as a "giveaway."

Professor Fred Rogers Fairchild of Yale University, however, in a recent issue of *Tax Review,* pinned the giveaway tag on TVA very effectively: "By charging rates below what private companies can offer, TVA renders a valuable subsidy to the people in its territory; in short, they are getting their electricity at about half price, and the Nation's taxpayers are making up the difference, about $90 million a year."

Senator Morse brushes aside the tax argument on the ground that the taxes paid by private utilities are "driblets" and that, anyway, "the utilities do not pay them, for they are paid by the ratepayers." Actually taxes paid by private utility companies to the Federal Government alone in this country amount to $1.1 billion, a fairish "driblet." It is true that the ratepayers pay the taxes, which are larger than they would be if TVA, *et al.,* paid any taxes at all. Of course the users of the product pay the taxes, just as they pay for the coal, or the labor or a new generator. But this would be equally true if the Government ran the power industry — except that the costs would be higher and would be described as taxes.

Another darling of the crowd that is always crying "giveaway" is the Rural Electrification Authority, which undertakes to bring power to the homes and milking machines of farmers whose places are too remote to tempt a private company into stringing the poles from the main line. There is doubtless a sound social reason for the REA, as far as its original purpose was concerned. But REA seems to have gone into a wider field, including the not-so-small

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loan business. Under the law the authority may make loans to cooperatives and other groups interested in setting up power distributing facilities. The loans made so far amount to nearly $3.5 billion and, under the law, interest on them is limited to two per cent. The REA, however, must turn around and borrow the money from the United States Treasury at the going rate, which fluctuates around 3 per cent. The difference between what the REA gets from its loans to cooperatives and what it has to pay to the Treasury for the money comes to about $40 million a year, according to a Washington dispatch in *The New York Times* (January 19, 1958).

Did I hear anybody holler "giveaway"? No, but Senators Morse and Kefauver have discovered a sinister plot to "strangle REA."

Why do socialists and economic planners invariably gang up on the electric power industry as an entering wedge for greater triumphs to come? One answer may be the one given by Professor John Jewkes of Manchester University (England) in his provocative book, *Ordeal by Planning* (Macmillan, 1948).

Professor Jewkes found "a fascinating and I believe largely unexplored relation between revolution and electricity. At the center of nearly every overall plan is to be found a vast scheme of electrification."

Probably one reason is that electric power systems are there, created by other hands, ripe for a bureaucracy to take them over without need for invention, imagination and hard work. Another compulsion may be a probably unconscious nostalgia for the means by which the Bolsheviks seized power in 1917: they seized the power plants. It is easier to get compliance from a public deprived of light, and juice for the toaster. Another explanation, although not a very good one, is the dubious record of certain utility magnates and stockjobbers during the boiling 1920's. Those men of too vigorous imagination and too brash optimism certainly fed the fires of public ownership propaganda, but socialist preoccupation with vast electricity schemes antedates Insull, *et al.*, by many years.

WHATEVER THE CAUSE of this fantasy, it is certainly a strange comment on the sense of justice of our holier-than-thou "liberals" that they pick on the industry which has probably contributed more than any other to the industrial growth of America and the personal welfare of its citizens. And all this at a reasonable, discount-house price.

The Department of Labor has estimated that the cost of living in the United States doubled between the years 1939 and 1956. Prices have, as the average housewife knows, gone up higher since. But during that same period (1939-1956), the cost of electricity *went down* by one per cent! This has been accomplished by the private utility companies in the face of a 100 per cent rise in the cost of their fuels, the tripling of the compensation of workers and of Federal taxes.

By means of constant research and technological progress, the power industry has managed to beat the statistics and deliver better service — at less than it used to get before inflation boosted the costs of everything else. It is ironic indeed that an industry with such a record should be under constant and unremitting attack by self-serving politicians and eager-beaver intellectuals who denounce as a "giveaway" every propostal to permit the private power industry to paddle its own canoe and continue to serve the people of this country. With $100 billion of new capital to be invested in electric power plants over the next 20 years (according to the Federal Power Commission) it is vitally important that the people of the country understand the importance of how the investment is made — by profitable, taxpaying, private investors, or by bureaucratic, tax-eating public "authorities." The issue between free enterprise and socialism for America may well be decided right there.

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